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# EXTENSION OF INTERSTATE COMPACT ON OIL AND GAS

GOVERNMENT

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## HEARINGS

BEFORE A

### SUBCOMMITTEE OF THE COMMITTEE ON

INTERSTATE AND FOREIGN COMMERCE

HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH CONGRESS

FIRST SESSION

ON

### H.J. Res. 220

A JOINT RESOLUTION CONSENTING TO AN EXTENSION OF THE  
INTERSTATE COMPACT TO CONSERVE OIL AND GAS

JUNE 18 AND 19, 1963

Printed for the use of the  
Committee on Interstate and Foreign Commerce



U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1963

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CHAPTER 1

1.1

The first part of the chapter is devoted to a discussion of the general principles of the theory of the structure of the atom.

In the second part of the chapter we shall consider the question of the structure of the atom in more detail.

In the third part of the chapter we shall consider the question of the structure of the atom in more detail.

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In the fifteenth part of the chapter we shall consider the question of the structure of the atom in more detail.



## EXTENSION OF INTERSTATE COMPACT ON OIL AND GAS

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TUESDAY, JUNE 18, 1963

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON COMMUNICATIONS AND POWER OF THE  
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,  
*Washington, D.C.*

The committee met at 10 am., pursuant to call, in room 1334, Longworth House Office Building, Hon. Walter Rogers, of Texas (chairman of the subcommittee) presiding.

Mr. ROGERS of Texas. The Subcommittee on Communications and Power of the Interstate and Foreign Commerce Committee of the House of Representatives will come to order for the consideration of business scheduled for hearing this morning.

We are meeting this morning to take testimony on House Joint Resolution 220, a bill to give the consent of the Congress to the extension and renewal for a period of 4 years to the interstate compact to conserve oil and gas, which was entered into originally in 1935 by the States of Oklahoma, Texas, New Mexico, Illinois, Colorado, and Kansas. The Congress gave consent to such compact by House Joint Resolution 407, approved August 27, 1935, and has consented eight times since to its extension and renewal.

Unless the Congress gives its consent to the further extension and renewal of this compact, which is now entered into by 30 States, it will expire on September 1, 1963.

When the compact was first consented to by the Congress in 1935, it was hoped that the several oil-producing States, acting together under the compact, would be able to effect conservation of this important natural resource, prevent its waste, and give aid to the petroleum industry in its effort to promote the maximum ultimate recovery of the oil and gas reserves of each State. During the 28 years that this compact has been in force, that hope has been fulfilled in substantial and ever-increasing degree.

A compact such as the one under consideration is in complete harmony with the spirit of our form of government. It preserves the rights of each separate State, while enabling the several States, as parties to the compact, to work together on a sound program which all of them accept and endorse.

A copy of House Joint Resolution 220 will be included in the record.

(The resolution referred to follows:)

[H.J. Res. 220, 88th Cong., 1st sess.]

JOINT RESOLUTION Consenting to an extension and renewal of the Interstate Compact To Conserve Oil and Gas

*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled*, That the consent of Congress is hereby given to an extension and renewal for a period of four years from September 1, 1963, to September 1, 1967, of the Interstate Compact To Conserve Oil and Gas, which was signed in the city of Dallas, Texas, the 16th day of February 1935 by the representatives of Oklahoma, Texas, California, and New Mexico, and at the same time and place was signed by the representatives, as a recommendation for approval to the Governors and Legislatures of the States of Arkansas, Colorado, Illinois, Kansas, and Michigan, and which prior to August 27, 1935, was presented to and approved by the Legislatures and Governors of the States of New Mexico, Kansas, Oklahoma, Illinois, Colorado, and Texas, and which so approved by the six States last above named was deposited in the Department of State of the United States, and thereafter was consented to by the Congress in Public Resolution Numbered 64, Seventy-fourth Congress, approved August 27, 1935, for a period of two years, and thereafter was extended by the representatives of the compacting States and consented to by the Congress for successive periods, without interruption, the last extension being for the period from September 1, 1959, to September 1, 1963, consented to by Congress by Public Law Numbered 143, Eighty-sixth Congress, approved August 7, 1959. The agreement to extend and renew said compact for a period of four years from September 1, 1963, to September 1, 1967, duly executed by representatives of the States of Alabama, Alaska, Arizona, Arkansas, Colorado, Florida, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Michigan, Mississippi, Montana, Nebraska, Nevada, New Mexico, New York, North Dakota, Ohio, Oklahoma, Pennsylvania, South Dakota, Tennessee, Texas, Utah, Washington, West Virginia, and Wyoming, has been deposited in the Department of State of the United States, and reads as follows:

"AN AGREEMENT TO EXTEND THE INTERSTATE COMPACT TO CONSERVE OIL AND GAS

"WHEREAS, on the 16th day of February, 1935, in the City of Dallas, Texas, there was executed 'AN INTERSTATE COMPACT TO CONSERVE OIL AND GAS' which was thereafter formally ratified and approved by the States of Oklahoma, Texas, New Mexico, Illinois, Colorado, and Kansas, the original of which is now on deposit with the Department of State of the United States, a true copy of which follows:

"'AN INTERSTATE COMPACT TO CONSERVE OIL AND GAS

"'ARTICLE I

"This agreement may become effective within any compacting state at any time as prescribed by that state, and shall become effective within those states ratifying it whenever any three of the States of Texas, Oklahoma, California, Kansas, and New Mexico has ratified and Congress has given its consent. Any oil-producing state may become a party hereto as hereinafter provided.

"'ARTICLE II

"The purpose of this compact is to conserve oil and gas by the prevention of physical waste thereof from any cause.

"'ARTICLE III

"Each State bound hereby agrees that within a reasonable time it will enact laws, or if the laws have been enacted, then it agrees to continue the same in force, to accomplish within reasonable limits the prevention of:

"(a) The operation of any oil well with an inefficient gas-oil ratio.

"(b) The drowning with water of any stratum capable of producing oil or gas, or both oil and gas in paying quantities.



"(c) The avoidable escape into the open air or the wasteful burning of gas from a natural gas well.

"(d) The creation of unnecessary fire hazards.

"(e) The drilling, equipping, locating, spacing or operating of a well or wells so as to bring about physical waste of oil or gas or loss in the ultimate recovery thereof.

"(f) The inefficient, excessive or improper use of the reservoir energy in producing any well.

"The enumeration of the foregoing subjects shall not limit the scope of the authority of any state.

#### "ARTICLE IV

"Each state bound hereby agrees that it will, within a reasonable time, enact statutes, or if such statutes have been enacted then that it will continue the same in force, providing in effect that oil produced in violation of its valid oil and/or gas conservation statutes or any valid rule, order or regulation promulgated thereunder, shall be denied access to commerce; and providing for stringent penalties for the waste of either oil or gas.

#### "ARTICLE V

"It is not the purpose of this compact to authorize the states joining herein to limit the production of oil or gas for the purpose of stabilizing or fixing the price thereof, or create or perpetuate monopoly, or to promote regimentation, but is limited to the purpose of conserving oil and gas and preventing the avoidable waste thereof within reasonable limitations.

#### "ARTICLE VI

"Each State joining herein shall appoint one representative to a commission hereby constituted and designated as

#### THE INTERSTATE OIL COMPACT COMMISSION,

the duty of which said commission shall be to make inquiry and ascertain from time to time such methods, practices, circumstances, and conditions as may be disclosed for bringing about conservation and the prevention of physical waste of oil and gas, and at such intervals as said commission deems beneficial it shall report its findings and recommendations to the several States for adoption or rejection.

"The Commission shall have power to recommend the co-ordination of the exercise of the police powers of the several states within their several jurisdictions to promote the maximum ultimate recovery from the petroleum reserves of said states, and to recommend measures for the maximum ultimate recovery of oil and gas. Said Commission shall organize and adopt suitable rules and regulations for the conduct of its business.

"No action shall be taken by the Commission except: (1) by the affirmative votes of the majority of the whole number of the compacting States represented at any meeting, and (2) by a concurring vote of a majority in interest of the compacting States at said meeting, such interest to be determined as follows: such vote of each State shall be in the decimal proportion fixed by the ratio of its daily average production during the preceding calendar half-year to the daily average production of the compacting States during said period.

#### "ARTICLE VII

"No State by joining herein shall become financially obligated to any other State, nor shall the breach of the terms hereof by any State subject such State to financial responsibility to the other States joining herein.

#### "ARTICLE VIII

"This compact shall expire September 1, 1937. But any State joining herein may, upon sixty (60) days notice withdraw herefrom.

"The representatives of the signatory States have signed this agreement in a single original which shall be deposited in the archives of the Department of State of the United States, and a duly certified copy shall be forwarded to the Governor of each of the signatory states.



4      EXTENSION OF INTERSTATE COMPACT ON OIL AND GAS

"This compact shall become effective when ratified and approved as provided in Article I. Any oil-producing State may become a party hereto by affixing its signature to a counterpart to be similarly deposited, certified, and ratified."

"WHEREAS, the said Interstate Compact to Conserve Oil and Gas has heretofore been duly renewed and extended with the consent of the Congress to September 1, 1963; and,

"WHEREAS, it is desired to renew and extend the said Interstate Compact to Conserve Oil and Gas for a period of four (4) years from September 1, 1963, to September 1, 1967;

"Now, therefore, this writing witnesseth:

"It is hereby agreed that the Compact entitled

"AN INTERSTATE COMPACT TO CONSERVE OIL AND GAS" executed in the City of Dallas, Texas, on the 16th day of February, 1935, and now on deposit with the Department of State of the United States, a correct copy of which appears above, be, and the same hereby is, extended for a period of four (4) years from September 1, 1963, its present date of expiration, to September 1, 1967. This agreement shall become effective when executed, ratified, and approved as provided in Article I of the original Compact.

"The signatory States have executed this agreement in a single original which shall be deposited in the archives of the Department of State of the United States and a duly certified copy thereof shall be forwarded to the Governor of each of the signatory States. Any oil-producing state may become a party hereto by executing a counterpart of this agreement to be similarly deposited, certified, and ratified.

"EXECUTED by the several undersigned states, at their several state capitols, through their proper officials on the dates as shown, as duly authorized by statutes and resolutions, subject to the limitations and qualifications of the acts of the respective State Legislatures.

"THE STATE OF ALABAMA

"By JOHN PATTERSON, Governor

"Dated: 9-4-62

"Attest: BETTYE FRINK

"Secretary of State

"(SEAL)

"THE STATE OF ALASKA

"By WILLIAM A. EGAN, Governor

"Dated: 9-21-62

"Attest: HUGH J. WADE

"Secretary of State

"(SEAL)

"THE STATE OF ARIZONA

"By PAUL J. FANNIN, Governor

"Dated: 11-1-61

"Attest: WESLEY BOLIN

"Secretary of State

"(SEAL)

"THE STATE OF ARKANSAS

"By ORVAL E. FAUBUS, Governor

"Dated: 8-15-62

"Attest: NANCY J. HALL

"Secretary of State

"(SEAL)

"THE STATE OF COLORADO

"By STEVE McNICHOLS, Governor

"Dated:

"Attest: GEORGE J. BAKER

"Secretary of State

"(SEAL)

"THE STATE OF FLORIDA

"By FARRIS BRYANT, Governor

"Dated: 5-28-62

"Attest: TOM ADAMS

"Secretary of State

"(SEAL)

"THE STATE OF ILLINOIS  
"By OTTO KERNER, Governor

"Dated: 12-12-61

"Attest: CHARLES F. CARPENTIER  
"Secretary of State

"(SEAL)

"THE STATE OF INDIANA  
"By MATTHEW E. WELSH, Governor

"Dated:

"Attest: CHARLES O. HENDRICKS  
"Secretary of State

"(SEAL)

"THE STATE OF KANSAS  
"By JOHN ANDERSON, Jr., Governor

"Dated:

"Attest: PAUL R. SHANAHAN  
"Secretary of State  
LEONE M. POWERS  
"Assistant Secretary of State

"(SEAL)

"THE STATE OF KENTUCKY  
"By BERT COMBS, Governor

"Dated: 11-30-61

Attest: HENRY H. CARTER  
"Secretary of State

"(SEAL)

"THE STATE OF LOUISIANA  
"By JIMMIE H. DAVIS, Governor

"Dated: 6-12-62

"Attest: WADE O. MARTIN, Jr.,  
"Secretary of State

"(SEAL)

"THE STATE OF MARYLAND  
"By J. MILLARD TAWES, Governor

"Dated: 11-20-62

"Attest: LLOYD L. SIMPKINS  
"Secretary of State

"(SEAL)

"THE STATE OF MICHIGAN  
"By JOHN B. SWAINSON, Governor

"Dated: 7-6-62

"Attest: JAMES M. HARE  
"Secretary of State

"(SEAL)

"THE STATE OF MISSISSIPPI  
"By ROSS R. BARNETT, Governor

"Dated:

"Attest: HEBER LADNER  
"Secretary of State

"(SEAL)

"THE STATE OF MONTANA  
"By DONALD G. NUTTER, Governor

"Dated: 1-18-62

"Attest: FRANK MURRAY  
"Secretary of State

"(SEAL)

"THE STATE OF NEBRASKA  
"By FRANK B. MORRISON, Governor

"Dated: 1-24-62

"Attest: FRANK MARSH  
"Secretary of State

"(SEAL)

"THE STATE OF NEVADA  
"By GRANT SAWYER, Governor

"Dated: 4-25-62  
"Attest: JOHN KOONTZ  
"Secretary of State  
"(SEAL)

"THE STATE OF NEW MEXICO  
"By E. L. MECHEM, Governor

"Dated: 10-23-61  
"Attest: BETTY FIORINA  
"Secretary of State  
"(SEAL)

"THE STATE OF NEW YORK  
"By NELSON A. ROCKEFELLER, Governor

"Dated: 9-22-62  
"Attest: CAROLINE K. SIMON  
"Secretary of State  
"(SEAL)

"THE STATE OF NORTH DAKOTA  
"By WILLIAM L. GUY, Governor

"Dated: 3-2-62  
"Attest: BEN MEIER  
"Secretary of State  
"(SEAL)

"THE STATE OF OHIO  
"By MICHAEL V. DiSALLE, Governor

"Dated: 10-9-62  
"Attest: TED W. BROWN  
"Secretary of State  
"(SEAL)

"THE STATE OF OKLAHOMA  
"By J. HOWARD EDMONDSON, Governor

"Dated: 10-20-61  
"Attest: WILLIAM N. CHRISTIAN  
"Secretary of State  
"(SEAL)

"THE STATE OF PENNSYLVANIA  
"By DAVID L. LAWRENCE, Governor

"Dated: 2-6-62  
"Attest: E. JAMES TRIMARCHI, Jr.  
"Secretary of State  
"(SEAL)

"THE STATE OF SOUTH DAKOTA  
"By ARCHIE GUBBRUD, Governor

"Dated: 3-26-62  
"Attest: ESSIE WIEDENMAN  
"Secretary of State  
"(SEAL)

"THE STATE OF TENNESSEE  
"By BUFORD ELLINGTON, Governor

"Dated: 9-10-62  
"Attest: JOE C. CARR  
"Secretary of State  
"(SEAL)

"THE STATE OF TEXAS  
"By PRICE DANIEL, Governor

"Dated: 10-16-61  
"Attest: P. FRANK LAKE  
"Secretary of State  
"(SEAL)

"THE STATE OF UTAH  
"By GEORGE D. CLYDE, Governor

"Dated:  
"Attest: LAMONT F. TORONTO  
"Secretary of State  
"(SEAL)



## "THE STATE OF WASHINGTON

"By ALBERT D. ROSELLINI, Governor

"Dated: 10-25-62

"Attest: VICTOR A. MEYERS

"Secretary of State

"(SEAL)

## "THE STATE OF WEST VIRGINIA

"By W. W. BARRON, Governor

"Dated: 10-10-62

"Attest: JOE F. BURDETT

"Secretary of State

"(SEAL)

## "THE STATE OF WYOMING

"By JACK R. GAGE, Governor

"Dated: 10-3-62

"Attest: ROBERT OUTSEN

"Deputy Secretary of State

"(SEAL)".

SEC. 2. The Attorney General of the United States shall continue to make an annual report to Congress, as provided in section 2 of Public Law 185, Eighty-fourth Congress, for the duration of the Interstate Compact to Conserve Oil and Gas as to whether or not the activities of the States under the provisions of such compact have been consistent with the purpose as set out in article V of such compact.

SEC. 3. The right to alter, amend, or repeal the provisions of the first section of this joint resolution is hereby expressly reserved.

Mr. ROGERS of Texas. We have a report from the Department of Interior over the signature of Assistant Secretary of Interior, John Kelly, a report from the Bureau of the Budget under date of June 7, a report from the Federal Power Commission under date of May 24 over the signature of its Chairman, Mr. Swidler, a report from the Department of Defense over the signature of Mr. John T. McNaughton, a report from the Department of Justice over the signature of the Deputy Attorney General, Nicholas deB. Katzenbach, and a report from the Department of State over the signature of Frederick G. Dutton, Assistant Secretary. Without objection these reports will be included in the record.

(The documents referred to follow:)

U.S. DEPARTMENT OF THE INTERIOR,  
OFFICE OF THE SECRETARY,  
Washington, D.C., June 11, 1963.

HON. OREN HARRIS,  
*Chairman, Committee on Interstate and Foreign Commerce,  
House of Representatives, Washington, D.C.*

DEAR MR. HARRIS: Your committee has requested our views on House Joint Resolution 220, a joint resolution consenting to an extension and renewal of the interstate compact to conserve oil and gas.

We favor enactment of the joint resolution.

House Joint Resolution 220 would extend the interstate oil compact to conserve oil and gas for a period of 4 years, from September 1, 1963, to September 1, 1967.

The compact, when formed initially on September 16, 1935, had six member States. The subject joint resolution has been executed by official representatives of 30 States, subject to confirming acts by the respective legislatures.

The compact, through the Interstate Oil Compact Commission, its authorized executive instrument, has served through the years usefully as a forum for the free discussion of oil and gas conservation practices and related problems, the study of State conservation law, regulations, and administrative procedures. Through the many technical and specialized committees organized through the initiative of the compact commission, significant information of value to the conservation of oil and gas has been developed and made public.

Because of the useful services the compact renders and the great potential for increasing values that may be developed in the field of conservation and resource policy, extension of the compact as proposed appears to be very much in the national interest.

The Bureau of the Budget has advised that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

JOHN M. KELLY,  
*Assistant Secretary of the Interior.*

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EXECUTIVE OFFICE OF THE PRESIDENT,  
BUREAU OF THE BUDGET,  
Washington, D.C., June 7, 1963.

HON. OREN HARRIS,  
*Chairman, Committee on Interstate and Foreign Commerce, House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in reply to your letters of February 14 and May 21, inviting the Bureau of the Budget to comment on House Joint Resolution 220, consenting to an extension and renewal of the interstate compact to conserve oil and gas.

If this resolution were enacted, the interstate compact to conserve oil and gas would be extended until September 1, 1967.

The Bureau of the Budget would have no objection to the enactment of House Joint Resolution 220.

Sincerely yours,

PHILLIP S. HUGHES,  
*Assistant Director for Legislative Reference.*

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FEDERAL POWER COMMISSION REPORT ON HOUSE JOINT RESOLUTION 220,  
88TH CONGRESS

A JOINT RESOLUTION CONSENTING TO AN EXTENSION AND RENEWAL OF THE INTERSTATE  
COMPACT TO CONSERVE OIL AND GAS

House Joint Resolution 220 would grant the consent of Congress to the extension and renewal for a period of 4 years from September 1, 1963, of the interstate compact to conserve oil and gas.

The interstate compact to conserve oil and gas was originally approved by Congress in 1935 for the purpose of conserving our irreplaceable natural resources. Extensions and renewals of the compact have been granted by Congress, with the current 4-year extension period running to September 1, 1963. The Interstate Oil Compact Commission created by the compact is composed of representatives of the member States, and has continuously functioned under that authority.

The compact enables the signatory States to work together on a voluntary basis to carry out a sound conservation program and thereby accomplish desirable ends which might otherwise remain unfilled, while at the same time preserving the rights and responsibilities of each of the separate States. It appears to the Federal Power Commission that the compact is in harmony with our Federal form of government.

Section 11 (b) of the Natural Gas Act (52 Stat. 827; 15 U.S.C. 717j (b)) requires the Federal Power Commission "to assemble and keep current pertinent information relative to the effect and operation of any compact between two or more States heretofore or hereafter approved by the Congress; to make such information public, and to report to the Congress from time to time, the information so obtained, together with such recommendations as may appear to be appropriate or necessary to promote the purposes of such compact." In accordance with this provision of the Gas Act, the Federal Power Commission has maintained a continuing interest in the Interstate Oil Compact Commission and has been represented at the meetings of the Oil Compact Commission, thereby keeping informed of the work of that organization. The Power Commission's annual reports to Congress describe the functioning of the Interstate Oil Compact Commission and our relationship to the work of that body. (See FPC 42d Annual Report (1962), p. 91.)



The Power Commission has consistently given its support to the Oil Compact Commission when the extension of the latter's basic authority has been before the Congress. We reaffirm our prior opinion that continuance of the compact organization is of utmost importance to the conservation of the fuel supply of the Nation.

We believe that the Compact Commission's program should be continued and fully supported, and favor adoption of the joint resolution.

FEDERAL POWER COMMISSION,  
By JOSEPH C. SWIDLER, *Chairman*.

---

GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE,  
*Washington, D.C., June 10, 1963.*

HON. OREN HARRIS,  
*Chairman, Committee on Interstate and Foreign Commerce,*  
*House of Representatives.*

DEAR MR. CHAIRMAN: Reference is made to your request for the views of the Department of Defense on House Joint Resolution 220, 88th Congress, a joint resolution consenting to an extension and renewal of the interstate compact to conserve oil and gas.

The joint resolution would grant the consent of Congress to an extension and renewal of the interstate compact to conserve oil and gas for the period September 1, 1963, to September 1, 1967. The purpose of the compact, which was originally signed and approved in 1935, is to conserve oil and gas by the prevention of physical waste. Oil-producing States are parties to the compact. The compact does not authorize limiting production to stabilize or fix prices, create or perpetuate monopolies, or promote regimentation.

The Attorney General has annually reported to the Congress that in his opinion the activities of the States under the provisions of the compact have been consistent with its purpose.

Since oil and gas are essential to national security, conservation of these resources by the prevention of waste should be supported. Accordingly, the Department of Defense favors enactment of the joint resolution.

The Bureau of the Budget advises that, from the standpoint of the administration's program, there is no objection to the presentation of this report for the consideration of the committee.

Sincerely,

JOHN T. McNAUGHTON.

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U.S. DEPARTMENT OF JUSTICE,  
OFFICE OF THE DEPUTY ATTORNEY GENERAL,  
*Washington, D.C., June 18, 1963.*

HON. OREN HARRIS,  
*Chairman, Committee on Interstate and Foreign Commerce,*  
*House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in response to your request for the views of the Department of Justice concerning the joint resolution (H.J. Res. 220) consenting to an extension and renewal of the interstate compact to conserve oil and gas.

The interstate compact to conserve oil and gas, to which 30 States are now signatory, is intended to foster action by the oil-producing States to conserve domestic resources of oil and gas by ending waste incident to production. It was originally enacted in 1935 and has been extended periodically, the last extension under Public Law 86-143 (Aug. 7, 1959, 73 Stat. 290), which expires September 1, 1963.

House Joint Resolution 220 provides for the consent of Congress to the extension of the compact for a period of 4 years. The resolution continues the provision in the existing law that the Attorney General makes an annual report to Congress as to whether the activities of the States under the compact are consistent with its declared purposes. Also, it reserves the right to alter, amend, or repeal the legislation giving such consent.

As noted in the recent report filed by the Attorney General pursuant to the previous extension resolution, it has become increasingly clear that operation of the related State-Federal control system governing crude oil production is inadequate to the policy needs of the individual States or of the Federal Government. It was there also observed that the Interstate Oil Compact Com-



10      EXTENSION OF INTERSTATE COMPACT ON OIL AND GAS

mission as established by the compact would provide a convenient focal point for discussion of needed improvements in that system.

For the reasons stated, the Department of Justice favors the extension of the compact.

The Bureau of the Budget has advised that there is no objection to the submission of this report from the standpoint of the administration's program.

Sincerely yours,

NICHOLAS DEB. KATZENBACH,  
*Deputy Attorney General.*

DEPARTMENT OF STATE,  
Washington, June 17, 1963.

HON. OREN HARRIS,  
*Chairman, Committee on Interstate and Foreign Commerce,  
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: In your letter of February 14, 1963, you requested a report on House Joint Resolution 220, a joint resolution consenting to an extension and renewal of the interstate compact to conserve oil and gas. The Department supports this legislation.

The interest of the Department in the compact is quite indirect, stemming primarily from the fact that petroleum is an internationally traded commodity, the interrelationships of which with our foreign relations are complex and profound. This trade and these interrelationships at present are affected by our oil import control program. The basis of this program, as you know, is the certified requirements of our national security which make it necessary that we preserve a vigorous, healthy domestic petroleum industry. While subscribing to this objective, the Department is anxious that the industry so protected be trim and tough. The oil compact offers promise as one means of imparting these characteristics.

The Department has noted with approval the report on the operation of the compact which was submitted to the Congress by the Attorney General on May 15, 1963. The report suggests ways in which the compact can be made even more effective and states, on page 5, that the Department of Justice has urged its extension. The Department of State associates itself with this recommendation.

The Bureau of the Budget advises that from the standpoint of the administration's program there is no objection to the submission of this report.

Sincerely yours,

FREDERICK G. DUTTON,  
*Assistant Secretary.*

MR. YOUNGER. Mr. Chairman, are those favorable or unfavorable?

MR. ROGERS of Texas. They are favorable.

MR. YOUNGER. They recommend the passage of the resolution?

MR. ROGERS of Texas. Yes; the extension of the compact.

The first witness that we have this morning, and we are highly honored to have him, is the Honorable Jack M. Campbell, Governor of the State of New Mexico. And without objection, we will permit our colleague, Mr. Tom Morris, who represents the great State of New Mexico, to introduce Governor Campbell to the committee.

MR. MORRIS.

STATEMENT OF HON. THOMAS G. MORRIS, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF NEW MEXICO

MR. MORRIS. Mr. Chairman and members of the committee, it is a privilege and an honor to be here this morning. I take great pleasure in introducing to the committee not only the Governor of our State, but a personal friend of mine, Gov. Jack Campbell.

Jack has been our Governor for a very short time but he is not without experience in public service. He was a member of our New Mexico Legislature for 6 or 8 years. He is also an attorney specializ-

ing in the practice of oil and gas law prior to becoming Governor of our State. And it is a real privilege and an honor to present Gov. Jack M. Campbell to this great committee this morning.

Mr. ROGERS of Texas. Thank you, Mr. Morris.

Governor Campbell, it is nice to have you, and it is nice to have you introduced by such an outstanding citizen of New Mexico as our colleague, the Honorable Tom Morris.

I understand you have a statement to make to the subcommittee on the pending resolution?

# STATEMENT OF HON. JACK M. CAMPBELL, GOVERNOR, THE STATE OF NEW MEXICO

Governor CAMPBELL. Yes, Mr. Chairman.

Thank you, Congressman Morris.

Members of the subcommittee, I have a very brief statement which I would like to read to the committee, and then, of course, I would be happy to answer any questions I can with regard to the matter before the subcommittee.

I certainly appreciate this opportunity of appearing before you on what we consider in New Mexico as a very important piece of national legislation.

New Mexico has a stake in this. It was the first State to ratify the original interstate oil compact, which it ratified in February of 1935. All of our oil and gas conservation laws and our rules and regulations or conservation practices have been closely related to the information we have received and assistance we have received through the interstate oil compact and its commission.

New Mexico ranks fifth in the known reserves of petroleum and third in known reserves of natural gas in this country. I have been associated indirectly with the Interstate Oil Compact Commission for the last 17 years as a member of its legal committee. For some time—several years—I was a member of a subcommittee which worked on and prepared a form of oil and gas conservation statute which has been enacted in whole or in part in a number of States of the Union. I feel that the compact has always been and is now a proper vehicle through which the officials and staffs of State regulatory agencies can exchange views and experiences. I notice that its engineering, its research, and its legal committees have made proposals which have resulted in marked improvement in the prevention of waste, promotion of efficiency of production, and in secondary recovery efforts. I believe that in the interests of national security, in the interests of conserving our available oil and gas reserves for future generations, that this compact is a splendid vehicle through which this can be accomplished.

I believe that the compact through the years has certainly indicated what individual States, protecting their own sovereignty, but at the same time taking advantage of the experience of other States, can do in this very important field. And I want to sincerely urge that the resolution which would extend the compact for another 4 years be passed by the Congress.

Thank you, Mr. Chairman.



Mr. ROGERS of Texas. Thank you, Governor Campbell. It is an honor and pleasure to have you before the subcommittee, and I appreciate your testimony and your comments on this subject.

Mr. MOSS, do you have any questions?

Mr. MOSS. I have no questions at this time, Mr. Chairman. I am very pleased to welcome the Governor to the committee.

Governor CAMPBELL. Thank you, sir.

Mr. ROGERS of Texas. Mr. Younger?

Mr. YOUNGER. Mr. Chairman, only one question.

So far as you know there is no change proposed in this Resolution 220 as to the existing legislation creating the oil and gas conservation compact?

Governor CAMPBELL. No; there is no change in the compact itself. It would simply be an extension of the existing agreement.

Mr. YOUNGER. That is all.

Mr. ROGERS of Texas. Mr. Kornegay.

Mr. KORNEGAY. Thank you, Mr. Chairman.

Mr. Campbell, I too would like to join with my colleagues in welcoming you to the committee. I appreciate your coming a great distance to be here with us today.

As I understand, this is simply an extension of the agreement which has been in effect since 1935.

Governor CAMPBELL. That is right; yes, sir.

Mr. KORNEGAY. Thank you very much.

Mr. ROGERS of Texas. Mr. Cunningham.

Mr. CUNNINGHAM. Mr. Chairman, I too want to join in welcoming the Governor here. I appreciate the brief, to-the-point statement. We don't get those kinds of statements very often.

Mr. ROGERS of Texas. Mr. Broyhill.

Mr. BROYHILL. I too join my colleagues in welcoming the Governor to the committee. No questions, Mr. Chairman.

Mr. ROGERS of Texas. Governor, in your vast experience in the oil and gas segment of our economy do you feel that this is the proper approach to the problem to be solved?

Governor CAMPBELL. I certainly do, Mr. Chairman, and I think experience is proving that this is the correct approach. I notice the Governors of the various States represented in the compact and with whom I am acquainted, all feel that this is the way in which the best interests of the country can be served in the conservation of these very precious national natural resources.

Mr. ROGERS of Texas. Have you encountered any specific opposition to this approach, Governor?

Governor CAMPBELL. None whatsoever, Mr. Chairman.

Mr. ROGERS of Texas. And let the chairman again thank you for coming before the subcommittee, Governor Campbell. It is nice to have you.

Governor CAMPBELL. Thank you, gentlemen.

Mr. ROGERS of Texas. Our next witness this morning is Mr. Richard C. Byrd, chairman of the Kansas Corporation Commission of Topeka, Kans., and first vice chairman of the Interstate Oil Compact Commission. The chairman understands that he is to be accompanied



by Lawrence R. Alley, executive secretary of the Interstate Oil Compact Commission of Oklahoma City.

Mr. Byrd, will you come forward and be recognized?

**STATEMENT OF HON. RICHARD C. BYRD, CHAIRMAN, KANSAS CORPORATION COMMISSION, TOPEKA, KANS., ACCOMPANIED BY LAWRENCE R. ALLEY, EXECUTIVE SECRETARY, INTERSTATE OIL COMPACT COMMISSION, OKLAHOMA CITY, OKLA.**

Mr. BYRD. Thank you, Mr. Chairman.

First let me thank the committee for the opportunity of appearing here and I convey the regrets of Gov. Matthew Welsh of the State of Indiana who is the chairman of the Interstate Oil Compact Commission. Pressing duties in the State of Indiana prohibited Governor Welsh from being present. And, therefore, as vice chairman of the compact, I will read his prepared statement.

As you stated, our executive secretary of the compact, Mr. Lawrence R. Alley, is present here in the room, and will remain present while these proceedings continue, and will be available to answer any questions the committee might have.

Mr. ROGERS of Texas. Thank you, Mr. Byrd.

Mr. BYRD. My name is Richard C. Byrd and I am chairman of the Kansas Corporation Commission. My office address is the State Office Building, Topeka, Kans. I will read the statement in the name of Governor Welsh.

**STATEMENT OF HON. MATTHEW E. WELSH, GOVERNOR, STATE OF INDIANA, AND CHAIRMAN, INTERSTATE OIL COMPACT COMMISSION, AS PRESENTED BY HON. RICHARD C. BYRD**

My name is Matthew E. Welsh, and I am chairman of the Interstate Oil Compact Commission. My residence is in Indianapolis, Ind. I am appearing in support of House Joint Resolution 220.

The interstate compact to conserve oil and gas was first signed in Dallas, Tex., on February 16, 1935, and subsequently approved by Congress the same year. Until 1943, successive renewals, with congressional consent, were for 2-year periods. Thereafter, Congress gave its authorization at 4-year intervals, the last being in 1959.

The membership of the Interstate Oil Compact Commission now consists of 30 oil-producing States, as follows: Alabama, Alaska, Arizona, Arkansas, Colorado, Florida, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Michigan, Mississippi, Montana, Nebraska, Nevada, New Mexico, New York, North Dakota, Ohio, Oklahoma, Pennsylvania, South Dakota, Tennessee, Texas, Utah, Washington, West Virginia, and Wyoming.

In addition to the above States, Georgia, Oregon, and Idaho are associate members. An associate member is a State not now having oil and gas production, but having prospects for oil and gas production.

The purpose of the compact is best expressed by the language of the compact itself. Article II states:

The purpose of this compact is to conserve oil and gas by the prevention of physical waste thereof from any cause.

Article VI sets forth that it is the duty of the Commission—

\* \* \* to make inquiry and ascertain from time to time such methods, practices, circumstances, and conditions as may be disclosed for bringing about conservation and the prevention of physical waste of oil and gas—

and to report—

\* \* \* its findings and recommendations to the several States for adoption or rejection.

Due to the discovery of enormous fields in the 1920's and early 1930's, the need for an interstate oil compact was shown. The situation became a national problem so severe that the States of Oklahoma and Texas found it necessary to declare martial law in the oilfields. The congressional Come committee in 1934, after thorough investigation of the situation said:

We strongly urge upon the oil-producing States the adoption of State compacts to deal with the problems of production of petroleum with which individual States are powerless to cope \* \* \* a State compact \* \* \* is the solution of those problems of petroleum production which cannot be solved with modification of the "law of capture" and other legislation operating within State boundaries.

Following this report, a conference was called of representatives of the oil-producing States by Governor-elect Marland, of Oklahoma, in December 1934. As a result of this conference a meeting was held in Dallas, Tex., in February 1935 when the compact itself was drawn and signed.

In 1955, when Congress agreed to the extension of the compact, an amendment was added that required the Attorney General to report annually to Congress as to whether or not the compact was living up to article V of the compact, which says:

It is not the purpose of this compact to authorize the States joining herein to limit the production of oil or gas for the purpose of stabilizing or fixing the price thereof, or create or perpetuate monopoly, or to promote regimentation, but is limited to the purpose of conserving oil and gas and preventing the avoidable waste thereof within reasonable limitations.

The Attorney General has made five reports, following this directive.

In the report of September 1, 1956, the Attorney General reported:

The function of the Commission and its committees has been undoubtedly of great importance to the conservation efforts of the States and of members of the industry.

In the report of the Attorney General, as of September 1, 1957, he concluded his summary by saying:

On the whole, the activity of the Commission appears to have been worth while. It seems justifiable to ascribe a good deal of the improvement in industry operations over the past quarter century—the elimination of gushing wells and flaring gas, the better use of reservoir energy, the rise in production of oil from about 20 to 40 percent to 80 percent of the potential of the well through utilization of advanced recovery practices—to the promotional activities of the compact commission. Above all, the compact and its commission are unique examples of effective interstate cooperation on a wholly voluntary basis.



In the report of the Attorney General, as of September 1, 1958, he said:

At most, the compact and its commission are unique examples of effective interstate cooperation on a wholly voluntary basis. Observation of the commission's activities over the current year requires no modification of these conclusions.

In the fourth report of the Attorney General, as of September 1, 1959, a third discussion is contained on the conservative programs of the various States, and, again, the Attorney General found no complaint of the operation of the Interstate Oil Compact Commission.

In the last report, dated May 15, 1963, the Attorney General said:

In that process, the interstate oil compact, as an existing focal point for Federal contact with State regulatory agencies, will have to play an important part. Accordingly, this Department has urged the extension of the compact.

As chairman of the Interstate Oil Compact Commission, I received a letter from the Secretary of the Interior Stewart L. Udall, dated April 4, 1963. This letter reads as follows:

The States that make up the membership of the interstate oil compact to conserve oil and gas have a responsibility to assure that the petroleum industry makes its maximum contribution to the national security and to the strength of the national economy.

The total crude supply available for domestic use is made up of domestic production and imports. The major component is domestic production which is subject to a supply control system based upon State statutes. Several factors have worked together to limit the effectiveness of this control system. Among these are the status of State regulatory statutes in light of present-day technology, the limited participation of some producing States, and the increased flexibility of interstate purchasing and transportation facilities.

The purpose of the interstate compact is " \* \* \* to conserve oil and gas by the prevention of physical waste thereof from any cause." In order fully to achieve this objective the IOCC, we feel sure you agree, must do everything in its power to assure that State regulatory practices enhance the efficiency of the domestic petroleum industry.

It is requested therefore, that the Interstate Oil Compact Commission appoint a committee composed of representatives to the Commission to prepare an analysis of the regulatory systems of individual States and of the effect of these systems on the petroleum industry. We assume that the committee will bear in mind throughout the study that State regulatory systems directly affect our national security and economic growth. If it is the wish of the Commission, the Department of the Interior, because of its interest and responsibilities in this area, would make available a representative of this to serve on the committee.

Following the receipt of this letter, acting in my capacity as chairman of the Interstate Oil Compact Commission, I called a special meeting of the executive committee for April 8, 1963, in Oklahoma City. At that meeting, I issued the following statement:

Since its formation in 1935, the Interstate Oil Compact Commission has been dedicated to the promotion of oil and gas conservation, the elimination of waste, obtaining the greatest ultimate recovery and generally promoting the most efficient production practices for the domestic oil industry. Congress has taken note of the contribution to the national welfare made by the Interstate Oil Compact Commission and its member States since its formation by repeatedly extending the compact with commendation in each instance.

In view of the tremendous strides which have been made by the member States and the industry in each of these areas of conservation practices, it is appropriate that the Interstate Oil Compact Commission make an evaluation of what has been accomplished and what remains to be done, with particular reference to the technological developments and economic changes which are constantly occurring.



This country's adequate supply of oil which powered America's successful efforts in World War II was in very large measure the result of efficient application of the conservation practices developed under the leadership of the Interstate Oil Compact Commission. Since in the foreseeable future, oil will be the principal supplier of energy for our economy in both peace and war, the member States are determined that the momentum they have achieved in the conservation of this vital natural resource shall be continued.

For some time, the executive committee of the Interstate Oil Compact Commission has been discussing the role of the commission, its achievements, its future objectives, and obligations—and the appropriate manner of presenting these matters. The appointment of a committee composed of Governors of some of the member States of the Interstate Oil Compact Commission would serve as an excellent vehicle for this purpose and I am pleased that the Secretary of Interior, by his letter dated April 4, 1963, indicates he is in accord with this approach. I know that his offer of cooperation in this project is appreciated by the Governors of the member States.

It is, therefore, my intention to name such a committee in the very near future, if this is in accord with the wishes of the executive committee.

At this special meeting, I was authorized to appoint a committee of Governors to conduct the study requested by Secretary of the Interior Udall. This committee was appointed immediately and consists of the following Governors of member States: Gov. Matthew E. Welsh, Indiana, chairman; Gov. Otto Kerner, Illinois; Gov. John Anderson, Jr., Kansas; Gov. Jimmie H. Davis, Louisiana; Gov. Jack M. Campbell, New Mexico; Gov. Henry L. Bellmon, Oklahoma; Gov. John Connally, Texas; and Gov. Clifford P. Hansen, Wyoming.

This special study committee met and asked the standing committees of the commission to pursue this study vigorously. In compliance with this request, individual committees have met eight different times to prepare an outline for the scope of the study. This outline was approved by the Governors' special study committee at our midyear meeting in New Orleans, La. Our standing committees are now gathering the material that will be necessary to fulfill the request of the Secretary of Interior.

I have retained Mr. Richard C. Byrd, who is resigning as chairman of the Kansas Corporation Commission, to be my administrative assistant in preparing this report.

I can assure you that this report will be made and it will be a most complete report. Recommendations will be made to the member States on what the Governors' committee feels is the best possible conservation program in the light of present technological developments.

Our commission has continued to carry on its educational program in oil and gas conservation. We have continued to issue many pamphlets and much technical material to improve oil and gas conservation.

Recently, at our midyear meeting, we premiered a new movie, produced by the commission. This is a 24-minute, sound-and-color film, "Oil for Today and Tomorrow." In 1944 we produced our first movie and it was estimated that this film was shown to over 7 million people.

I am sure it will be of interest to you to know that the compact is financed entirely by voluntary State contributions. It does not accept advertising in any of its publications, nor does it accept any money from individuals, corporations, companies, or organizations.

In Oklahoma City, the commission has its own office building that was contributed by the State of Oklahoma. There are seven full-time employees. Our agency is proud to say that it has always stayed

within its budget, in fact, it has been able to build up a reserve fund from the State contributions. As is true of the special study report of Governors, previously referred to, we are proud that most of the work of the commission is done by its standing committees. These committees are composed of the outstanding men in their professions. All of this work is done voluntarily and without charge to the commission.

There have been three publications on which the production cost was so high we found it necessary to make a charge. In each instance, however, the charge was less than the actual cost.

I feel sure that, through its work, the Interstate Oil Compact Commission deserves some responsibility for the new laws that have been passed since the last extension. It is interesting that the oldest producing State in the Union, where oil was first discovered—namely, Pennsylvania—passed a conservation law last year. Also Kentucky, one of the older producing States, passed a conservation law last year. During the present year, New York, Idaho, and Iowa have passed conservation laws that are almost identical with the suggested law prepared by the legal committee of the Interstate Oil Compact Commission. There has been considerable progress by the States in modernizing their laws, rules, and regulations. A recent trend has been developed in the States to encourage wider spacing of wells so as to eliminate unnecessary wells.

I think that the accomplishments of the Interstate Oil Compact Commission could best be enumerated by—

- (1) the program that has encouraged all of the States to either strengthen or pass conservation laws;

- (2) the educational information distributed throughout the Nation, which has been of inestimable value to the general public in better understanding the benefits of oil and gas conservation and their value to the consumer (some of the pamphlets that have been published by the commission have had a distribution of over 600,000); and

- (3) the continued work in the field of secondary recovery and pressure maintenance, showing the benefits of these operations in producing oil that would not otherwise have been produced and made available to the Nation as an energy fuel.

Through its educational program, the commission, through the States, has been effective in practically eliminating the former waste of large amounts of gas produced with oil that would otherwise have been wasted, but are now being supplied to the Nation.

Member States of the Interstate Oil Compact Commission have shown a clear understanding of their responsibilities in the field of oil and gas conservation and have demonstrated the benefits of conservation by today having an excess producible reserve, that can be produced without waste, of some 3 million barrels daily available to this country in case of national emergency. It was fortunate that, due to the reserve created by these conservation programs, this producible reserve was available in World War II, the Korean war, and during the Suez crisis.

In view of the benefits I think the compact's value has been shown to the public and to the Nation generally. I hope Congress will approve this extension of the compact in accordance with the provisions of article 1, section 10, of the Constitution of the United States.



Mr. BYRD. That completes Governor Welsh's statement.

Mr. ROGERS of Texas. Thank you, Mr. Byrd. If you have anything that you want to add personally, you may.

Mr. BYRD. Nothing, sir. If any of the committee members have any questions I would be glad to attempt to answer them. I am more familiar with the study that is being initiated than I am in some of the other aspects of the historical background of the commission.

Mr. ROGERS of Texas. Mr. Moss, any questions?

Mr. Moss. I have no questions, Mr. Chairman.

Mr. ROGERS of Texas. Mr. Cunningham?

Mr. CUNNINGHAM. I was just wondering, sir, for the record, why is it that this comes up for renewal periodically rather than having permanent legislation?

Mr. BYRD. I assume that when the compact was originally approved by Congress that they felt that there should be some periodic check to see that it was fulfilling the obligations in the compact. As Governor Welsh pointed out, originally it did not require the Attorney General's report. That was added in 1955. And I think that the Congress felt in this that it should be extended for definite periods rather than permanently.

Mr. CUNNINGHAM. Thank you.

Mr. ROGERS of Texas. Mr. Kornegay.

Mr. KORNEGAY. Mr. Chairman, I have no questions.

Mr. ROGERS of Texas. Mr. Broyhill?

Mr. BROYHILL. I have no questions.

Mr. ROGERS of Texas. Mr. Byrd, do you have any specific matters that you want to touch on with relation to the study that is to be made?

Mr. BYRD. Mr. Chairman, only to say that, as Governor Welsh pointed out, the members of the compact are very anxious that this study be completed as expeditiously as possible. The enthusiasm of the representatives from the various States as well as the committees indicates to me that it will be completed expeditiously and that it will be a thorough and objective study of the present State regulatory statutes and practices. The outline that has been agreed upon is very exhaustive, and covers every subject that in any way relates to the conservation of oil and gas. There is a provision in the outline for the valuation of each of the topics as well as a conclusion which will be written by the eight Governors on the committee. And I can assure you that it is their intention to be objective, and if deficiencies in the State systems do appear, to make recommendations to those respective States to correct them. Really the study shows, if it is carried as initiated, that it will come up with a manual that will be the authority on conservation practices.

Mr. ROGERS of Texas. Are there any particular feelings or areas in which you feel there should be some priority as far as the States are concerned?

Mr. BYRD. Well, in comparing State statutes, of course, there are differences. You really have to go into the State to see exactly how the statutes have been administered and interpreted before you can conclude whether there are any deficiencies in the practices of the respective States. You know that some States have unitization statutes, some don't.



Some have pooling and spacing statutes, and some don't. Yet we realize that even in the States where they don't have these statutes a lot has been done and is being done toward wider spacing, unitization.

Mr. ROGERS of Texas. As I understand it, you intend to cover every conceivable aspect of the problem.

Mr. BYRD. Yes, sir.

Mr. ROGERS of Texas. And to try to do that in an orderly manner so that you can expedite the consideration of all of them and get the report out as soon as possible.

Mr. BYRD. That is true.

Mr. ROGERS of Texas. I presume that you desire suggestions from the different areas and different groups in the industry.

Mr. BYRD. We welcome any suggestions that will help from anyone that is available.

Mr. ROGERS of Texas. The reason I asked that, Mr. Byrd, is this, that there have been some inquiries directed to me as to whether or not some particular areas would be investigated or looked into. And I have suggested that they get in touch with the group and make their suggestions, and that they ought to be looked into if they are interested in them. I hope that is the proper method to pursue this rather than hold hearings on it.

Mr. BYRD. I would prefer hearing from any group that has any interest in the matter that we are studying that relate to the conservation of oil and gas.

Mr. ROGERS of Texas. I will continue to refer them to you. Thank you very much, Mr. Byrd, for your testimony.

We have no further witnesses scheduled this morning. But without objection the Chair would like to include in the record the following:

A letter from the Department of Conservation of the State of Michigan over the signature of Mr. Gerald E. Eddy, director of the Michigan Department of Conservation, and official representative of the Governor of Michigan on the interstate oil compact in Michigan; a resolution submitted by the National Oil Marketers Association over the signature of Mr. Paul E. Haduck, counsel, covering a letter which was addressed to me, with which the resolution was included. Without objection the letter will be included in the file and the resolution in the record; and a communication from the U.S. Chamber of Commerce over the signature of Mr. Theron J. Rice, legislative general manager. Without objection, these items will be included in the record.

(The documents referred to follow:)

MICHIGAN DEPARTMENT OF CONSERVATION,  
Lansing, June 10, 1963.

HON. OREN HARRIS,  
*Chairman, Committee on Interstate and Foreign Commerce, House of Representatives, Longworth House Office Building, Washington, D.C.*

DEAR CONGRESSMAN HARRIS: This statement is given in response to receipt of notice of public hearings concerning congressional extension of the interstate compacts on oil and gas. This is also House Joint Resolution 220. This statement is made on behalf of the Governor of the State of Michigan as I am his official representative on the Interstate Oil Compact Commission.

We in Michigan strongly urge the Congress to extend this compact for another 3-year period as required by the statutes. Without question this or-

ganization since its inception in 1935 has been a most influential body in the prevention of waste in the oil and gas business and in sponsoring and urging the best application of conservation practices by the States. Also I am sure that the prominent position that the States occupy in the control of the oil and gas industry is due to the efforts put forth by the compact, its officers, and its working committees.

Sincerely,

GERALD E. EDDY,

*Director, Michigan Department of Conservation, and Official Representative of Governor of Michigan on Interstate Oil Compact Commission.*

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#### RESOLUTION OF THE NATIONAL OIL MARKETERS ASSOCIATION

Whereas since 1935 the National Oil Marketers Association has steadily advocated a four-point program to check the growth of monopoly in the oil industry, viz:

(a) The repeal of State proration laws designed to limit the production of crude oil in order to maintain prices;

(b) The repeal of the Connally Act under which State oil proration laws are made effective;

(c) The withdrawal of congressional approval of the interstate oil compact;

(d) The discontinuance of Federal aid to arbitrary limitation of the production of crude oil by the issuance of monthly forecasts of market demand for petroleum products; and

Whereas the supply of petroleum products has been further restricted by the institution of mandatory Federal control and limitation of the importation of crude and refined petroleum products; and

Whereas the continuation of these laws and regulations has had the effect intended by their supporters of eliminating most of those elements in the petroleum industry that furnished competition to the integrated oil companies: Now, therefore, be it

*Resolved by the National Oil Marketers Association in meeting assembled at Detroit, Mich., this 24th day of October 1960, That the Congress now repeal the Connally Act, withdraw its approval of the interstate oil compact, and that the Federal Government remove the mandatory restrictions on the importation of petroleum products, thus letting the law of supply and demand operate.*

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CHAMBER OF COMMERCE OF THE UNITED STATES,  
*Washington, D.C., June 13, 1963.*

HON. WALTER ROGERS,

*Chairman, Subcommittee on Communications and Power,  
House Interstate and Foreign Commerce Committee,  
House Office Building, Washington, D.C.*

DEAR MR. ROGERS: The Chamber of Commerce of the United States urged your subcommittee to approve House Joint Resolution 220 giving the consent of Congress to an extension and renewal of the interstate compact to conserve oil and gas for a period of 4 years from September 1, 1963.

The interstate oil compact, to encourage the conservation of oil and natural gas, was first entered into in 1935 by six of the principal oil and natural gas producing States, and was approved by the Congress in that year. An agreement to extend and renew the compact for 4 more years already has been signed by 30 States.

The purpose of the Interstate Oil Compact Commission is to study and publicize the methods whereby the individual States signing the compact may bring about the conservation and prevention of physical waste of oil and natural gas.

The compact's method encourages conservation through precept and example. The compact does not attempt through Federal intervention and regimentation to dictate to the States the methods by which they will conserve oil and gas. Instead, each State signing the compact agrees that within a reasonable



time it will enact laws to accomplish within reasonable limits the prevention of—

- (a) the operation of any oil well with an inefficient gas-oil ratio;
- (b) the drowning with water of any stratum capable of producing oil or gas in paying quantities;
- (c) the avoidable escape into the open air or the wasteful burning of gas from a natural gas well;
- (d) the creation of unnecessary fire hazards;
- (e) the drilling, equipping, locating, spacing, or operating of a well or wells so as to bring about physical waste of oil or gas or loss in the ultimate recovery thereof; and
- (f) The inefficient, excessive, or improper use of the reservoir energy in producing any well.

The national chamber believes the interstate oil compact has been successful in conserving for more optimum use in the future our irreplaceable oil and gas resources. For example, under the stimulus of the compact, all of the member States have passed laws regulating the location and distance between oil and gas wells, thus ending the destructive practice of drilling wells close to property boundaries with resultant production practices which left behind resources which could not later be recovered except at excessive costs.

We commend article V of the compact which specifically states that "it is not the purpose of the compact to authorize the States to limit the production of oil or gas for the purpose of stabilizing or fixing the price thereof, or to create or perpetuate monopoly, or to promote regimentation." The chamber's support of the extension of the interstate oil compact is with the understanding that the compact is not to be used to promote practices that are not consistent with the principles of free enterprise.

We therefore recommend that your subcommittee approve House Joint Resolution 220.

We ask that you make this letter a part of the record of the hearings on House Joint Resolution 220.

Sincerely,

Theron J. Rice.

Mr. ROGERS of Texas. Mr. Alley, may we ask you a question? Will you identify yourself for the purpose of the record?

Mr. ALLEY. I am Lawrence Alley, executive secretary of the Interstate Oil Compact Commission.

Mr. ROGERS of Texas. The Chair understands that at the time this resolution was introduced and there were five States that had not ratified it.

Mr. ALLEY. No, sir; there were five States in which the secretary of state did not put the date on the compact itself. The compact as now filed with the State Department does have all of those dates. I would like permission to furnish that to you for the dates that are not appearing on your bill.

Mr. ROGERS of Texas. Without objection you may furnish that.

Mr. ALLEY. Thank you, sir.

(The document follows:)

INTERSTATE OIL COMPACT COMMISSION,  
Oklahoma City, Okla., June 18, 1963.

Mr. WILLIAMSON,  
Chief Clerk, Committee on Interstate and Foreign Commerce,  
House Office Building, Washington, D.C.

DEAR Mr. WILLIAMSON: Listed below are the dates when the secretaries of state signed the compact which were not included when it was filed and not included in the bills of the House and Senate.

Colorado-----	Nov. 9, 1961.
Indiana-----	Nov. 29, 1961.
Kansas-----	Dec. 3, 1962.
Mississippi-----	Oct. 24, 1962.
Utah-----	Feb. 20, 1962.



If you desire additional information, please do not hesitate to call on us.  
Sincerely,

LAWRENCE R. ALLEY,  
*Executive Secretary.*

Mr. ROGERS of Texas. Thank you very much.

If there are no further business matters to come before the committee at this time, the subcommittee will stand adjourned until 10 o'clock in the morning. And it is the understanding of the Chair that we will meet in the regular committee room, 1334, at 10 a.m. tomorrow morning.

(Whereupon, at 10:55 a.m., the subcommittee adjourned, to reconvene at 10 a.m. on the following day, Wednesday, June 19, 1963.)

## EXTENSION OF INTERSTATE COMPACT ON OIL AND GAS

WEDNESDAY, JUNE 19, 1963

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON COMMUNICATIONS AND POWER OF THE  
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,  
*Washington, D.C.*

The committee met at 10 a.m., pursuant to recess, in room 1333, Longworth House Office Building, Hon. Walter Rogers of Texas (chairman of the subcommittee) presiding.

Mr. ROGERS of Texas. The Subcommittee on Communications and Power will come to order for the further consideration of House Joint Resolution 220 to extend the interstate compact on oil and gas.

Our first witness this morning is our colleague from the State of South Dakota, the Honorable E. Y. Berry.

Mr. Berry, we will be glad to hear you at this time.

### STATEMENT OF HON. E. Y. BERRY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH DAKOTA

Mr. BERRY. Mr. Chairman, I join with the Governor of South Dakota, Archie Gubbrud, in asking for an extension of the interstate compact on oil and gas for another 4 years.

Attached to this statement is the telegram of Governor Gubbrud which I ask unanimous consent to be made a part of the record of this hearing. As a new oil-developing State, South Dakota is very much interested in the extension of this compact.

Thank you.

Mr. ROGERS of Texas. Thank you, Mr. Berry. Without objection, the telegram from Governor Gubbrud will be included in the record at this point.

(The telegram referred to follows:)

HON. E. Y. BERRY,  
U.S. Representative, House Office Building,  
Washington, D.C.:

PIERRE, S. DAK., June 17, 1963.

Believe interests of South Dakota, as State just beginning to produce oil and gas, would be well served by passage of House joint resolution extending for 4 years the interstate compact to conserve oil and gas, coming before Subcommittee on Natural Resources of House Interstate and Foreign Commerce Committee on Tuesday, June 18.

ARCHIE GUBBRUD,  
Governor, State of South Dakota.



Mr. ROGERS of Texas. Our next witness is the Honorable William Orrick, Assistant Attorney General, Antitrust Division, Department of Justice, Washington, D.C.

Mr. Orrick, it is nice to have you here. You are recognized to make your statement.

**STATEMENT OF HON. WILLIAM ORRICK, ASSISTANT ATTORNEY GENERAL, ANTITRUST DIVISION, DEPARTMENT OF JUSTICE, WASHINGTON, D.C.**

Mr. ORRICK. Thank you, Mr. Chairman.

Mr. Chairman, I appear here on behalf of the Department of Justice in response to your request for a statement as to the position of the Department on House Joint Resolution 220.

As previously stated, the Department of Justice favors the resolution. The reasons are set forth, sir, in a letter which is dated June 18, 1963, addressed to the Honorable Oren Harris, chairman of the Committee on Interstate and Foreign Commerce, and signed by Mr. Nicholas Katzenbach, Deputy Attorney General.

The letter is short, and with your permission, sir, I should like to read it into the record.

Mr. ROGERS of Texas. You may proceed.

Mr. ORRICK (reading):

DEAR MR. CHAIRMAN: This is in response to your request for the views of the Department of Justice concerning the joint resolution (H.J. Res. 220) consenting to an extension and renewal of the interstate compact to conserve oil and gas.

The interstate compact to conserve oil and gas, to which 30 States are now signatory, is intended to foster action by the oil-producing States to conserve domestic resources of oil and gas by ending waste incident to production. It was originally enacted in 1935 and has been extended periodically, the last extension under Public Law 86-143 (Aug. 7, 1959, 73 Stat. 290), which expires September 1, 1963.

House Joint Resolution 220 provides for the consent of Congress to the extension of the compact for a period of 4 years. The resolution continues the provision in the existing law that the Attorney General make an annual report to Congress as to whether the activities of the States under the compact are consistent with its declared purposes. Also, it reserves the right to alter, amend, or repeal the legislation giving such consent.

As noted in the recent report filed by the Attorney General pursuant to the previous extension resolution, it has become increasingly clear that operation of the related State-Federal control system governing crude oil production is inadequate to the policy needs of the individual States or of the Federal Government. It was there also observed that the Interstate Oil Compact Commission as established by the compact would provide a convenient focal point for discussion of needed improvements in that system.

For the reasons stated, the Department of Justice favors the extension of the compact.

The Bureau of the Budget has advised that there is no objection to the submission of this report from the standpoint of the administration's program.

Sincerely yours,

NICHOLAS DEB. KATZENBACH,  
*Deputy Attorney General.*

Mr. ORRICK. I am familiar with the report, Mr. Chairman, and although I have been in the Department in this particular job just a few days, I will be happy to try and answer any questions you, sir, or the members of the committee may have.

Mr. ROGERS of Texas. Thank you, Mr. Orrick.

Mr. Kornegay, do you have any questions?

Mr. KORNEGAY. Thank you, Mr. Chairman.

Mr. Orrick, I appreciate your coming here today and giving us the views of the Department of Justice. Do you know of any opposition to the continuation of the compact?

Mr. ORRICK. No, sir; I do not.

Mr. KORNEGAY. I gather from your statement, so far as you are concerned and the Department is concerned, it serves a very worthwhile purpose.

Mr. ORRICK. Yes, sir; and we think, as is pointed out in the last paragraph of the letter, that it will serve an additional purpose of being the focal point for discussion of improvements in the current system. I think it has actually served this purpose over the years.

Mr. KORNEGAY. I believe that is all, Mr. Chairman, except to say I believe this is about the only noncontroversial matter that this committee has had since I have had the pleasure of serving on it.

Mr. ROGERS of Texas. I think it is slightly controversial. We have one opposition. There is very little in Congress that isn't controversial. It wouldn't be very long.

Mr. Broyhill, do you have some questions?

Mr. BROYHILL of North Carolina. Just one to clear up a question in my mind. Do I understand from this sentence which begins on the bottom of the first page and continues to the top of the second page that you anticipate some future changes in the policies or regulations in regard to this whole area?

Mr. ORRICK. I think, Mr. Broyhill, that will depend on the outcome of the discussions that we contemplate will take place, and also on the outcome of the study that I now understand is being undertaken by the commission at the instance originally of the Secretary of the Interior.

Mr. BROYHILL of North Carolina. No further questions, Mr. Chairman.

Mr. ROGERS of Texas. Mr. Orrick, in 1955 I believe it was, section 2 provided that:

The Attorney General shall report to the Congress whether the activities of the States under the compact have been consistent for the purposes set out in article 5.

Now do you know or are you familiar with the reasons behind the failure of the Attorney General to file those reports up until this time? Isn't this the first report that has been filed.

Mr. ORRICK. No, sir. The first report was filed September 1, 1956.

Mr. ROGERS of Texas. Yes.

Mr. ORRICK. And the second was filed September 1, 1957. The third was filed September 1, 1958. The fourth was filed September 1, 1959, and then the fifth was filed this year.

Mr. ROGERS of Texas. Yes. I should have couched my question differently. I mean actually since 1959.

Mr. ORRICK. Yes, sir.

Mr. ROGERS of Texas. 1959 was the last report that was filed?

Mr. ORRICK. Yes, sir.

Mr. ROGERS of Texas. There hasn't been one filed since then. Now do you know why?

Mr. ORRICK. I do not know why, Mr. Chairman. I do know that the reporting function which is laid on the Attorney General by this



resolution is—I wouldn't say in conflict with, but it is in addition to his duties to carry on antitrust litigation. A previous Attorney General stated in an early report that where any conflict came up between reporting under this resolution and conducting litigation, he would favor what he considered to be his primary duty, to wit, carrying out antitrust litigation.

Now during that period there was a considerable amount of antitrust litigation, and whether that was the reason—there were two Assistant Attorneys General who didn't report—whether that is the reason or not I haven't discussed with them.

Mr. ROGERS of Texas. I would think that the antitrust litigation would make it more important actually that the reports be filed with Congress. That is the reason that I was wondering why they were not filed. It would seem to me under those circumstances they would have something to be discussed at length.

Mr. ORRICK. Yes, sir. I think that without arguing, since I haven't discussed it with them, that they probably had in mind the necessity of keeping the facts concerning the existing litigation within the province of the Department.

Now as part of the reporting function, the Attorney General is to report on any anticompetitive effects that the work of the States under this compact has on the industry, and the previous reports have been unanimous that the compact itself has not had anticompetitive effects on the industry.

Mr. ROGERS of Texas. Of course, the fact is that the reports were not filed, but as I gather from you, it is the intention of the present Attorney General and of your Division to see that that is taken care of in accordance with the law.

Mr. ORRICK. Yes, sir; it is, without any question.

Mr. ROGERS of Texas. Now in the letter from Mr. Katzenbach, I refer to the paragraph No. 4:

As noted in the recent report filed by the Attorney General pursuant to the previous extension resolution, it has become increasingly clear that operation of the related State-Federal control system governing crude oil production is inadequate to the policy needs of the individual States or of the Federal Government.

I wonder if you could expand as to what Mr. Katzenbach meant by "inadequate."

Mr. ORRICK. Sir, I shall be happy to do it.

The reference was made to this in the report of the Attorney General which is dated May 15, 1963, and on page 5 of that report reference is made to the study of the Interagency Committee on Petroleum, which made its report to the President, dated September 4, 1962.

Both those reports go into these areas at some length, referring to changing conditions, as indeed they have changed since 1935 when the compact first came into being, and I would be delighted if you want to read from these reports. But I do make the two references.

Mr. ROGERS of Texas. Those reports so far as the Chair knows or is advised never reached this committee.

Mr. ORRICK. The report of the Attorney General should have. There is no reason why that shouldn't be before the committee.

Mr. ROGERS of Texas. You mean the recent report?

Mr. ORRICK. Yes, sir.

Mr. ROGERS of Texas. The May 15 report?

Mr. ORRICK. Yes, sir.

Mr. ROGERS of Texas. I am talking about the reports that you are referring to that are referred to on page 5 of the May 15 report of the Attorney General.

Mr. ORRICK. Yes, sir. I do have a copy that is classified for official use only. I don't know why, if the committee wants it, it didn't come up here.

Mr. ROGERS of Texas. You are referring to the Executive order?

Mr. ORRICK. No, sir. I am referring to a report to the President by the Petroleum Study Committee, dated September 4, 1962.

Mr. ROGERS of Texas. Is that referred to on page 5 of this report?

Mr. ORRICK. No, sir. I said the reasons detailing the changed conditions are made mention of on page 5 of this report, and also if you please on page 28.

Mr. ROGERS of Texas. As I understand, Mr. Katzenbach's letter, the Department of Justice is recommending the extension of this compact for the purpose of merely providing a convenient forum or focal point to discuss what the Department feels are inadequacies in the operation of this situation, is that correct?

Mr. ORRICK. For that reason, Mr. Chairman, and for the more important purpose of continuing to conserve the source of domestic crude oil. He had no intention of limiting the purpose of the Commission simply to that. If the letter isn't clear on that——

Mr. ROGERS of Texas. Yes.

Mr. ORRICK. Let me emphasize that point.

The position of the Department is that the compact should be extended for the purposes which are set out in the resolution, and it may also serve this additional purpose.

Mr. ROGERS of Texas. Yes. In other words, the letter you are saying, Mr. Orrick, that you read this morning is in addition to the comments of the Attorney General in his report?

Mr. ORRICK. Yes, sir.

Mr. ROGERS of Texas. And that this will not only provide a focal point for further discussion of problems that have arisen and may arise, but that basically it has proven a good conservation measure?

Mr. ORRICK. Yes, sir.

Mr. ROGERS of Texas. Mr. Orrick, with regard to the so-called inadequacy, is it your contention that they are spelled out completely in the May 15 report?

Mr. ORRICK. I am not familiar enough with the industry to have an opinion on that, Mr. Chairman. There are inadequacies, I think, even as Governor Campbell mentioned in his testimony yesterday, and changes in conditions.

Governor Campbell in his statement, as I read it, seemed to indicate what I think has been the course of this commission's history, that this is a point at which the States and the Federal Government can get together to discuss the conditions as they do change, and that in the light of Secretary Udall's request for the study and in the light of some of these inadequacies that have been mentioned in the record, hopefully, we would get less conflicting regulations.

Mr. ROGERS of Texas. I am assuming from what has been said that the May 15 report with reference to inadequacies, whichever inade-



quacies are spelled out in that report, it was written from a report by an Advisory Committee or Council to the President.

Mr. ORRICK. I think reference was made to it.

Mr. ROGERS of Texas. Reference?

Mr. ORRICK. I don't think it is solely, as a matter of fact, I am sure it isn't.

Mr. ROGERS of Texas. Much of the information in this report is based upon the report that was made to the President that you referred to on page 5 and 28 of the report. Now, do you know of any reason, Mr. Orrick, why this committee couldn't have a copy of that original report?

Mr. ORRICK. I don't know, Mr. Chairman, what the classification of the report is; I don't know the reason. I would be happy to find out and let you know.

Mr. ROGERS of Texas. Could you do that?

Mr. ORRICK. Certainly.

Mr. ROGERS of Texas. If it could be declassified from whatever classification it may be in, and submitted to the committee, I think it would be most helpful in handling of this matter in the future, because if there are inadequacies, I think perhaps they can either be cleared up or declared not well taken, let's say, if the Congress feels that way about it.

But it is very difficult to work with these things if you are working with classified information which isn't available to the committee.

Mr. ORRICK. I will be happy to look into it, and I will advise you; yes, sir.

Mr. ROGERS of Texas. If you could I will appreciate it.

(The report referred to was later declassified and is as follows:)

A REPORT TO THE PRESIDENT BY THE PETROLEUM STUDY COMMITTEE,  
SEPTEMBER 4, 1962

EXECUTIVE OFFICE OF THE PRESIDENT,  
OFFICE OF EMERGENCY PLANNING,  
Washington, D.C. September 4, 1962.

Memorandum for the President:

I am pleased to submit a report based upon a comprehensive study of petroleum requirements and supplies in relation to national security objectives, undertaken in accordance with your directive issued December 2, 1961.

The conclusions and recommendations of the attached report are the result of extensive study by the Committee and its task force group and the report has been signed on behalf of all participating departments.

At the request of the Department of Interior, I have been asked to report to you their opinion that the conclusions relating to costs and benefits are potentially misleading. Interior contends that "while estimates purportedly covering costs to the economy are included in the report, the counterbalancing benefits which flow from the maintenance of the petroleum industry in its present state of health were not reduced to comparable terms." The Interior member also states "that existing legislation and delegations vest the Director of the Office of Emergency Planning with adequate authority to deal with the security aspects of the petroleum problem and that, in consequence, the recommendation in the report dealing with coordination of interagency activities is unnecessary and could lead to future difficulty in assessing responsibility for development and coordination of petroleum policy within the executive branch."

Except for this comment by the Department of Interior, the attached report has the unanimous support of all participating departmental members, the Committee's advisers and observers.

Respectfully,

EDWARD A. McDERMOTT,  
Chairman, Petroleum Study Committee.

EXECUTIVE OFFICE OF THE PRESIDENT,  
OFFICE OF EMERGENCY PLANNING,  
Washington, D.C., September 4, 1962.

## INTRODUCTION

*To the President:*

On December 2, 1961, in connection with proposals to amend proclamation 3279, governing the allocation of oil import quotas by press release (tab A, attached) you announced "\* \* \* that a comprehensive study of petroleum requirements and supplies in relation to national security objectives will be undertaken under the leadership of the Director of the Office of Emergency Planning, to be completed by mid-1962."

This assignment was organized as an interagency study under the chairmanship of the Director of the Office of Emergency Planning, with equal participation by the Departments of State, Treasury, Defense, Justice, Interior, Commerce, and Labor. Representatives of the Bureau of the Budget and the Council of Economic Advisers, and the deputy special assistant to the President for national security affairs served as advisers, and representatives of the Central Intelligence Agency and the Federal Power Commission participated as observers.

In the course of this study, public hearings were not held. A press release, issued on February 16, 1962, advised industry and the public of the scope of the projected study, its objectives, and of the opportunity to submit written position papers. Further notification to this effect was published in the Federal Register on February 24, 1962. In response to these public announcements, 32 written submissions were received by the Office of Emergency Planning from various segments of the petroleum industry. Each of these documents received full and careful consideration by the Committee and its task force group, and a large volume of intragovernmental information relating to the questions involved, and materials submitted in connection with other petroleum studies, were considered.

This assigned study has now been completed and we submit the following conclusions and recommendations.

Respectfully,

EDWARD A. McDERMOTT,  
*Chairman, Petroleum Study Committee.*

PHILIP H. TREZISE,  
*Department of State.*

JAMES A. REED,  
*Department of the Treasury.*

PAUL H. RILEY,  
*Department of Defense.*

NICHOLAS DEB. KATZENBACH,  
*Department of Justice.*

JOHN A. CARVER, Jr.,  
*Department of the Interior.*

WILLIAM B. DALE,  
*Department of Commerce.*

W. WILLARD WIRTZ,  
*Department of Labor.*

## PETROLEUM STUDY COMMITTEE CONCLUSIONS AND RECOMMENDATIONS

*I. Supply and requirements balance in relation to national security*

Petroleum policy has a complex effect on objectives of national effort, and decision as to its direction or its details cannot be a simple formula based solely on domestic capacity.

Matching estimated minimal availability against estimated probable requirements for petroleum through 1965 leaves an ample margin of safety in domestic petroleum supply both for defense and civilian war needs and for protection against reasonably conceivable denial of other sources through political or economic action. This assumes no drastic change in U.S. import policies and use of rationing in extreme emergency. There could be an additional but undetermined requirement to meet some portion of the needs of friendly foreign nations in such emergencies. Although generally considered, no complete appraisal of supply-requirements interrelationships of the entire free world was



made. The extent to which the United States must undertake to maintain spare capacity for other free world emergency requirements has not been determined by this Government nor made the subject of international discussion.

Taking account of all factors, there is an area of choice within which action can be begun to accommodate petroleum policy to other relevant national objectives.

## *II. Economic growth*

Domestic crude oil prices are substantially higher than they would be in the absence of import controls, reinforced by the system of State-Federal domestic supply controls. Because of the structure of the industry, however, not all of this difference would necessarily be passed on to consumers if there were no controls. The control system has strongly tended to increase excess capacity and production cost and to distort competition.

The cost of petroleum to industry, including transportation, is only a small percentage of the cost of manufactured products. Coal, natural gas, and residual fuel oil are the industrial fuels of the United States. Residual fuel oil is subject to its own control program, which is not directly reviewed here. The impact of the crude oil program alone on U.S. industry is less than that indicated by a consideration of the use of all petroleum products by industry. While a reduction in the price of petroleum would have a relatively small effect on the fuel cost of the U.S. manufacturing industry, any reduction in such cost would, of course, improve its competitive position in the world.

The major effect of a reduction in petroleum prices would be the aggregate economic effect on U.S. consumers of petroleum products. It has been estimated that complete abandonment of controls could lead to a reduction in the price of domestic crude oil of \$1 per barrel (to approximately the world price). Since the total demand for petroleum products in the United States is about 3.5 billion barrels annually, it is apparent that the present system of controls involves a large cost to consumers. At the same time, it should be recognized that the potential net effect on consumer prices cannot be precisely determined because of the changes in the structure of the industry which would follow a reduction in crude oil prices.

Levels of price and production are of direct and critical importance to the welfare of many producing areas within the United States. Petroleum is basic to the economies of the principal producing States, affecting levels of employment, business activity, and the revenues of State governments. While a part of the benefit of crude oil price supports is received by nationally owned oil companies and related industries, the remainder flows to local business and local economies. A sharp decline in the level of prices or of production would create pockets of economic distress and unemployment.

It is therefore difficult to make any precise judgment as to the cost of the program to the economy.

It should be noted that the industry receives tax treatment which to some degree complements the control system. The Treasury Department estimates that the tax foregone by percentage depletion as contrasted to cost depletion averages \$1 billion per year. This tax treatment has led to the allocation of more resources to petroleum development than would otherwise have been the case and has resulted in a redistribution of income within the economy. It is difficult, however, to determine the extent to which the tax stimulus given to investment in petroleum has been at the expense of more productive investment elsewhere in the economy and hence retarded economic growth.

On balance, then, these considerations indicate that the supported price of crude oil should not be altered rapidly. At the same time, it is imperative that domestic petroleum costs be reduced to permit a narrowing of the difference between the United States and foreign prices.

Aside from its effects on the domestic crude oil price level by limiting imports, the control program involves very substantial economic forces which may bear importantly on the performance of this industry and the economy. Such side effects, recognized or not, inevitably accompany any commodity program. Given the necessity for limiting imports, the use of tariffs is generally considered preferable to quantitative restrictions by reason of their simplicity and the larger scope they allow to market forces. For a number of reasons this does not seem to be feasible at this time (among them possible adverse effects in this hemisphere). With an import quota system there must be a means of distributing allocations, which places the Federal Government in the role of distributing a considerable economic advantage. Excluding residual fuel oil, oil import allo-

cations are "worth" perhaps \$1 million per day. The distribution of an economic advantage of this magnitude is bound to bear on the financial return of individual companies, the structure of the industry, the functioning of the economy, and other national objectives.

Although improved means of distributing oil allocations are not suggested, it is clear that the question merits further consideration. Fees and auctions are among the methods which might be used.

### *III. Implementation of Federal and State Government policy*

Of first importance in appraisal of national policy in petroleum as it relates to national objectives is recognition of inadequacies in the administrative machinery available to carry it out. Part of the difficulty stems from the complexities of Federal-State relations in petroleum supply control and part from the lack of close coordination between agencies at the Federal level, and an important part from the inadequacy of the data upon which both Federal and State action should be predicated.

*A. State-Federal supply system.*—The total crude petroleum supply available for domestic use is made up of domestic production and imports. The major component is domestic production which is subject to the complicated Federal-State control system. Decisions as to import levels have a direct relationship to domestic production control and vice versa.

The domestic supply control system rests on both State and Federal statutes. The State statutes provide for the actual regulation of production by State agencies. Federal statutes provide for prohibition of interstate shipments of oil produced in violation of State orders, authorize supervision (through suspension of the statutes) of the interstate market effects of State proration and provide the necessary approval of the burden of State regulation on interstate commerce. This legal framework was intended to join the intense State interest in conserving its natural resources against waste with the broad national and international responsibilities of the Federal Government.

It is now clear that several factors have seriously distorted the regulatory system and decreased its effectiveness to adequately serve either Federal or State objectives. These factors include—

- (1) the limited participation of some producing States;
- (2) the growth of imports which led to Federal import controls;
- (3) the growing use of natural gas regulated on an unrelated basis;
- (4) the increased availability of domestic natural gas liquids (largely interchangeable with crude oil), the production of which is not similarly regulated by either the States or the Federal Government; and
- (5) the increased flexibility of the interstate purchasing and transportation facilities of the principal crude oil buyers.

It is apparent that the burden of compensating for national supply variations by control of a diminishing part of the domestic source has intensified State curtailment of crude oil production to a point where it adds substantially to real costs and raises serious question as to the equity of its impact on producers. It is also apparent that the preceding considerations severely limit the scope of action available to the individual States and to the Federal Government.

It is urgent that steps be taken to revise the control system to make it more realistic and responsive to both State and Federal needs. Since any such revised system must recognize that the States have and must continue to have a principal responsibility for the administration of controls in this area, the first step must be to establish a basis of cooperation with the producing States. The Interstate Oil Compact Commission, which is a respected forum for discussion of common problems among producing States, has already begun discussion of the inequalities of the State supply regulation system.

It is recommended that the Secretary of the Interior be requested to undertake discussion with the commission, looking toward the formation of a working group to consider objectively the problems involved in updating the control system.

*B. Executive branch organization.*—Within the Federal Government, there is a continuing need for close coordination of action among the various departments and agencies whose operations affect, or are affected by, the security and related aspects of national petroleum policy.

It is recommended that, at the completion of the present petroleum study, further interagency studies be undertaken under the leadership of the Office of Emergency Planning to provide a basis for adequately reflecting such considerations in the petroleum activities of the Federal Government.



*C. Need for better data.*—Satisfactory information concerning petroleum reserves, productive capacity, and deliverability, and their expansibility under normal and emergency conditions is seriously lacking. Suitable cost information is even more seriously lacking. A great deal of fragmentary and sometimes contradictory data is available.

Corresponding data and analytical shortcomings are to be found in regard to the interrelationships of different segments of the economy. There is, in addition, a related inadequacy in analytic studies. These undesirably limit the conclusiveness of any petroleum study under existing circumstances.

It is recommended that the Bureau of the Budget, in cooperation with the agencies responsible for the needed information, particularly Interior, Treasury, Commerce, and State (for available foreign data), develop a proposal for a coordinated program to provide the needed data.

#### IV. Mandatory oil import control program

*A. Level of imports.*—No immediate sharp change in the level of imports can be justified as prudent. A drastic decrease in import levels to stimulate additional productive capacity is unnecessary. It would add to consumer burdens and, by widening the difference between domestic and world prices, could cause more serious difficulty within the industry and the international community. A drastic increase in imports would produce presently unpredictable and possibly severe disruptions within the industry and in the local economies of producing regions, both domestic and foreign, with possible serious consequences to national security.

Since the oil import program is an extraordinary control measure, justified only by special circumstances bearing on the national security, measures should be undertaken to mitigate, and if possible eliminate, the basic conditions which led to its creation.

Even with the apparent degree of flexibility afforded by the safety margin in supply, the area of decision is, as a practical matter, confined to moderate change. Within that area, there are three possible courses—

- (1) Increase in restrictiveness;
- (2) Maintenance of present degree of restrictiveness; and
- (3) Liberalization of controls.

The Committee (Interior dissenting) believes that, on a balance of all policy objectives, an increase in restrictiveness is not indicated. Considering these objectives and the inadequacies of present information, the best case can be made for maintenance of import controls, looking toward such liberalization as may be possible and clearly safe. The Committee also believes that a modest increase in the level of licensed crude oil imports above that which would be provided by the present program for districts I to IV can now be undertaken.

*B. Exempt imports.*—Exempt imports from Mexico have not created a problem since they were stabilized in May 1961 at 30,000 barrels per day for a 3-year period by voluntary commitment of the Government of Mexico.

In view of the upward trend of crude oil imports from Canada<sup>1</sup> under the overland exemption, it is recommended that the Secretary of State, with the assistance of the Secretary of the Interior, discuss this problem with the Government of Canada with a view to obtaining coordination of United States and Canadian policies relating to North American petroleum security.

	1956	1957	1958	1959	1960	1961	1962 <sup>1</sup>	1963 <sup>2</sup>
Districts I to IV.....	50	56	58	56	64	93	106	135
District V.....	67	<sup>3</sup> 95	25	36	50	92	124	135
Total.....	117	151	83	92	114	185	130	270

<sup>1</sup> Partially estimated.

<sup>2</sup> Canadian National Energy Board estimate.

<sup>3</sup> Suez emergency.

*C. Administration of the program.*—Concerning administration of the oil import control program, the committee recommends:

(1) The level of licensed imports of crude oil, unfinished oils, and products (other than residual fuel oil to be used as a fuel) into districts I to IV should

<sup>2</sup> "Crude Oil Imports From Canada" (thousand barrels per day).

be determined as a percentage of domestic production in those districts of total liquid hydrocarbons (i.e., all crude oil, condensate, and natural gas liquids). The present procedure for establishing import levels in district V and Puerto Rico should remain unchanged.

(2) The proclamation provisions for granting allocations under the program should:

(a) Continue the gradual phasing out of allocations based on historical imports of crude and unfinished oils in districts I to V and permit, as appropriate, the more rapid phasing out of historical allocations granted on the basis of imports now governed by the overland exemption.

On the historical method the refiner's import level is set at a percentage of the quota which each had under the voluntary program which preceded the present mandatory program. This percentage, set at the discretion of the Secretary of the Interior, has gradually decreased. At the beginning of the present program, these were 80 percent of the historical level of the voluntary program. They are now at 70 percent of that amount. The historical basis is designed to assure that the import allocation of established importers would not be cut abruptly.

(b) Provide that the sliding scale for determining allocations to refiners on the "input" basis include special provision for refiners defined as "small business" under the standards of the Small Business Act.

(3) The proclamation should be amended to grant to the Secretary of the Interior authority to permit by regulation, to the extent practicable, the sale or exchange (already permitted) of crude or unfinished oils imported by persons on the "input" basis and to require the reporting of prices as well as of quantities of petroleum involved in exchanges or sales in addition to information now required.

*D. Suggestions submitted to the committee for extension of the program.—*

(1) Tankers: A number of submissions to Petroleum Study Committee involve tankers. Included was a proposal that tanker owners engaged in carrying Soviet cargoes not be permitted to carry licensed oil imports to the United States. This question is regarded as beyond the purview of the study. Questions as to the significance of "effective control" of tankers under foreign flags were also raised. The Committee regards this issue as beyond the scope of this study.

A third tanker issue, however, is within the range of the study. It was proposed that the oil import control program provide for the movement of a designated proportion of imported crude oil in U.S.-flag tankers. Otherwise, it was contended, the rate of obsolescence, retirement, conversion, and scrapping of U.S.-flag tankers by 1965 would seriously reduce the U.S.-flag tanker fleet. This reduction, it was stated, might then require an increase in imports because the U.S. fleet would not be sufficient to carry the coastwise movements of domestic oil which are implicit in the present program. Our analysis of available information does not support this contention. The study did not, however, consider the broad questions of employment and the general situation of U.S.-flag tankers. These are currently under consideration by the President's Committee on Foreign Flags and Cargo Preference.

(2) Petrochemical manufacturers: It has been suggested to the Committee that domestic petrochemical producers without import allocations are at some competitive disadvantage in relation to petroleum refiners with import allocations who produce petrochemicals and to foreign petrochemical manufacturers with cheaper feedstock sources.

The balance of economic forces as among various components of the petrochemical industry cannot be assessed with precision. Furthermore, it would be exceeding difficult to undertake to compensate for the possible adverse effects which may flow from the oil import control program to other sectors of the economy. Inevitably, the import control system will bear on comparative economic positions in various related industries. It is not considered desirable to extend the oil import control program beyond its present scope. However, if it should appear necessary to redress the competitive equities involved, it would be preferable to adjust the present method for establishing allocations for refiners with petrochemical facilities.

## **V. Export expansion**

A number of major national objectives are involved in the promotion of exports. The Committee recommends that further study be given to the possibility of increasing the volume of U.S. exports of petroleum products and products in which petroleum is a principal raw material (chiefly petrochemicals). At this



juncture, information is inadequate to assess the extent of foreign markets which might be developed.

The studies should include such arrangements as—

(1) Special crude oil import allocations as incentives to additional exports;

(2) Foreign trade zones in the United States; and

(3) Bonded processing warehouses.

Legal or administrative difficulties or undesirable consequences which might attend their use should be identified and appropriate corrective measures suggested.

[Immediate release, Office of the White House Press Secretary, Dec. 2, 1961]

#### THE WHITE HOUSE

#### STUDY OF PETROLEUM SECURITY OBJECTIVES BY THE OFFICE OF EMERGENCY PLANNING

Proposals of the Secretary of the Interior to amend Proclamation No. 3279 governing the allocation of oil import quotas have been under consideration for the past several weeks. The President announced today that a comprehensive study of petroleum requirements and supplies in relation to national security objectives will be undertaken under the leadership of the Director of the Office of Emergency Planning, to be completed by mid-1962.

The study will take into account not only the welfare of the domestic petroleum industries, but also the need to promote the Nation's economic growth in the face of rapid technological and world changes. The study group has been asked to make recommendations on alternative means of achieving our security objectives and providing a basis for increasing our strength to compete in the free world.

Since the study will include a review of the mandatory oil import quota program, it will provide a basis for the consideration of any changes in the existing program that may be necessary. In the meantime, allocations of oil import quotas will continue to be made under the existing proclamation.

#### EXECUTIVE OFFICE OF THE PRESIDENT

#### OFFICE OF EMERGENCY PLANNING

Washington, D.C.

For release a.m.  
Friday, February 16, 1962

PR 30

Edward A. McDermott, Acting Director of the Office of Emergency Planning, today issued a statement in response to questions concerning the opportunity to be provided the petroleum industry and other interested parties to submit views and data relevant to matters under consideration by the Petroleum Study Committee. He recalled that the President, as announced last December 2, had directed a comprehensive study of petroleum requirements and supplies in relation to national security objectives. The President's announcement, he noted, had also stated that the study would take into account, besides the welfare of the industry, the need to promote the Nation's economic growth in a period of rapid technological and world changes. He said that the Petroleum Study Committee, of which he is Chairman, had been formed in response to the directive to conduct the study and to make recommendations on possible alternative means of achieving security objectives and of providing a basis for improving U.S. strength to compete in the free world.

Mr. McDermott noted that, since that announcement, industry groups and others had expressed great interest in the Committee's plans for the study, and particularly in any possible request for submission of relevant views and facts which might be made. He said that the Committee had given priority consideration to the need for such material and to the type of submission which would be most useful and at the same time not unduly burdensome to those providing it.

In this respect he called attention to the fact that a number of recent studies and investigations have been made, and hearings held, by the Government departments and agencies concerned with matters before the Committee, and emphasized that the interdepartmental makeup of the Committee gave assurance that these studies and the underlying data would be readily available. In addition to this source, he noted, other material was available from numerous past congressional hearings and inquiries in this area.

Consequently, he stated, the Committee believes there is no immediate need for submission of views and material by the public. However, he did not rule out the possibility that specific request might later be made for data on topics which prove to be insufficiently developed. At the same time, he emphasized there was no disposition to deny anyone who wished to do so an opportunity to submit material considered relevant to the inquiry. To be useful, he said, statements should be concise and in terms of the experience of the individual, company, or group under current Government policies or programs. If possible, statements should include recommendations as to specific changes in policies or programs considered desirable in the light of such experience, consistent with the objectives outlined by the President.

The Director went on to say that, in view of the desire for early completion of the study, any such statements should be submitted not later than April 2. He asked that, if possible, all submissions include 25 copies.

All papers submitted should be addressed to the Director, Office of Emergency Planning, Washington, D.C.

Mr. ROGERS of Texas. Mr. Kornegay?

Mr. KORNEGAY. One question, Mr. Chairman.

Mr. ORRICK, you said the only reason you could advance for the failure of the Attorney General to file reports in 1960, 1961, and 1962 was the fact that you were engaged in antitrust litigation?

Mr. ORRICK. Yes. I said, Mr. Kornegay, that I hadn't discussed the matters with my predecessors.

Mr. KORNEGAY. Yes.

Mr. ORRICK. But I hazarded that suggestion, and I said that as far as I am concerned I intend to file those reports while I have this job.

Mr. KORNEGAY. Now, let me ask you this question. Was the anti-trust litigation which you refer to in the field of oil and gas?

Mr. ORRICK. Yes.

Mr. KORNEGAY. Or are you speaking of antitrust litigation in general?

Mr. ORRICK. Oh, no; in the field of oil and gas.

Mr. KORNEGAY. In other words, legal activity in the field of oil and gas was the reason rather than a shortage of personnel.

Mr. ORRICK. I don't know. We are short on personnel, too, Mr. Kornegay, but I just don't know precisely.

Mr. KORNEGAY. All right, that is all.

Mr. ROGERS of Texas. Thank you very much, Mr. Orrick, for your testimony.

Mr. ORRICK. Thank you, Mr. Chairman.

Mr. ROGERS of Texas. This is the only witness to come before the subcommittee this morning. Without objection the hearings will be held up for 5 days for the filing of statements by anyone desiring to submit them to the Chair.

Otherwise, the subcommittee will stand adjourned subject to the further call of the Chair.

(The following material was submitted for the record:)

STATE OF NEW YORK,  
EXECUTIVE CHAMBER,  
Albany, June 20, 1963.

HON. OREN HARRIS,  
Chairman, Committee on Interstate and Foreign Commerce, House of Representatives, House Office Building, Washington, D.C.

DEAR MR. HARRIS: This is in regard to the interstate compact to conserve oil and gas, congressional consent to which expires this year.



36      EXTENSION OF INTERSTATE COMPACT ON OIL AND GAS

As Governor of a compact State, I urge adoption of House Joint Resolution 220 consenting to extension of the compact for another 4 years.

With best wishes.

Sincerely,

\_\_\_\_\_  
NELSON A. ROCKEFELLER.

SALEM, OREG., June 14, 1963.

HON. AL ULLMAN,  
*House Office Building, Washington, D.C.:*

The State of Oregon's association with the Interstate Oil Compact Committee during the past 10 years has been most fruitful. Our Oil and Gas Conservation Act stems from experience of IOCC. Our offshore legislation was aided greatly by IOCC. I urge extension of the compact in the interest of good conservation.

\_\_\_\_\_  
MARK O. HATFIELD,  
*Governor of Oregon.*

BISMARCK, N. DAK., June 17, 1963.

Congressman OREN HARRIS,  
*Chairman, Interstate and Foreign Commerce Committee,  
U.S. House of Representatives, Washington, D.C.:*

Be assured of my support for House joint resolution extending for 4 years interstate compact to conserve oil and gas, set for hearing before Subcommittee on Natural Resources of House Interstate and Foreign Commerce Committee, Tuesday, June 18. I urge that this resolution be adopted.

\_\_\_\_\_  
WILLIAM L. GUY,  
*Governor, State of North Dakota.*

ANNAPOLIS, MD., June 18, 1963.

Congressman OREN HARRIS,  
*House Office Building, Washington, D.C.:*

I respectfully request favorable consideration of the Subcommittee on Natural Resources of the House Interstate and Foreign Commerce Committee of House joint resolution extending for 4 years the interstate compact to conserve oil and gas on which hearing is being held today.

\_\_\_\_\_  
J. MILLARD TAWES,  
*Governor of Maryland.*

SALT LAKE CITY, UTAH, June 18, 1963.

HON. OREN HARRIS,  
*Chairman, Interstate and Foreign Commerce Committee,  
House of Representatives, Washington, D.C.:*

Respectfully urge favorable consideration of resolution extending interstate compact to conserve oil and gas.

\_\_\_\_\_  
GEORGE D. CLYDE,  
*Governor of Utah.*

PHOENIX, ARIZ., June 17, 1963.

HON. OREN HARRIS,  
*Chairman, Interstate and Foreign Commerce Committee,  
Washington, D.C.*

MY DEAR MR. CHAIRMAN: I sincerely hope that your committee will recommend the extension for 4 years of the interstate compact to conserve oil and gas. The 33 member States have urged this extension. Your favorable consideration will certainly be appreciated.

Sincerely,

\_\_\_\_\_  
PAUL FANNIN, *Governor of Arizona.*

SPRINGFIELD, ILL., June 17, 1963.

Re June 18 hearing before the Subcommittee on Natural Resources of the House Interstate and Foreign Commerce Committee.

HON. OREN HARRIS,  
*U.S. Representative from Arkansas,  
House Office Building, Washington, D.C.:*

Illinois strongly supports the extension of the interstate compact to conserve oil and gas. Will you please advise committee members of our concurrence in the action previously taken by the executive committee of Interstate Oil Compact Commission. We urge the adoption of this legislation.

OTTO KERNER,  
*Governor, State of Illinois.*

OLYMPIA, WASH., June 17, 1963.

HON. OREN HARRIS,  
*Chairman, House Committee on Interstate and Foreign Commerce,  
House Office Building, Washington, D.C.:*

This is to indicate the full support of the State of Washington for passage of House Joint Resolution 220, a measure to extend for 4 years the interstate compact to conserve oil and gas. Favorable consideration by the committee would be appreciated.

ALBERT D. ROSELLINI,  
*Governor, State of Washington.*

JUNEAU, ALASKA, June 18, 1963.

HON. OREN HARRIS,  
*Chairman, House Interstate and Foreign Commerce Committee,  
Washington, D.C.:*

Strongly recommend passage of House joint resolution extending for 4 years the interstate compact to conserve oil and gas. The 33 member States concur in the extension of this compact as did the U.S. Attorney General in his report dated May 15, 1963.

WILLIAM A. EGAN,  
*Governor, State of Alaska.*

STATEMENT OF L. DAN JONES, GENERAL COUNSEL, INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA, BEFORE THE SUBCOMMITTEE ON COMMUNICATIONS AND POWER OF THE HOUSE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE, ON HOUSE JOINT RESOLUTION 220, JUNE 19, 1963

My name is L. Dan Jones. I am general counsel of the Independent Petroleum Association of America.

The association is a national trade association of some 6,000 independent producers of crude oil and natural gas, including land and royalty owners, with membership in every oil-producing area in the United States. The primary interest of our membership is the search for and production of oil and gas within the borders of the United States.

At the outset, we wish to advise the committee that the Independent Petroleum Association of America strongly supports the extension of the interstate compact to conserve oil and gas as proposed in House Joint Resolution 220.

From the time the first interstate compact to conserve oil and gas was signed in the city of Dallas, Tex., on February 16, 1935, it has served well its stated purpose to "conserve oil and gas by the prevention of physical waste thereof from any cause." From this beginning with only a few States participating, the compact has grown to its position of prominence today with a membership of 30 oil-producing States. This widespread participation is evidence of the contribution this body has made as recognized by the States with primary interest in petroleum.



It has been long recognized by the oil and gas producing industry that the interest of the individual producer is directly served by improved conservation practices. Proper conservation of oil and gas serves not only the consumer in providing larger supplies and reserves of energy, but the producer as well. Oil that is wasted is lost to the producer as well as the consumer and the Nation. Oil that is saved, the producer may sell. The producer, therefore, has a personal interest in the promotion of improved conservation.

The petroleum-producing industry also recognizes its responsibility to provide increasing supplies of oil and gas to meet the expanding needs of the growing economy of the United States and to be prepared to meet the security needs of any national defense emergency. Improved conservation contributes to the ability of the industry to meet this responsibility.

The compact provides a forum for the development and exchange of information based upon the experiences within the various States. Good conservation practices are developed out of the experiences of the industry in the many producing areas operating under widely varying conditions. In this way, a multiplicity of experience becomes the testing ground and the basis for sound conservation practices and laws. These experiences are brought together by the compact, serving as a forum for the exchange of views by representatives from the various States with personal knowledge of each producing area's problems. The compact has served this function well.

For these reasons, we urge this committee and the Congress to report favorably on the extension of the interstate compact to conserve oil and gas.

(Whereupon, at 10:30 a.m., the subcommittee adjourned subject to the call of the Chair.)







